TABLE B-22
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: ORION

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($93)	$0	($93)
Actives Fully Eligible to Retire	0	0	0
All Others	0	0	0
Total APBO	($93)	$0	($93)
Plan Assets at Fair Value	0	0	0
Funded Status	($93)	$0	($93)
Unrecognized Transition Obligation	70	0	70
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	13	0	13
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($10)	$0	($10)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$0	$0	$0
Interest Cost	7	0	7
Amortization of:			
Transition Obligation	4	0	4
Prior Service Cost	0	0	0
Gains and Losses	0	0	0
Total Net Periodic Expense	$11	$0	$11
Projected Pay-As-You-Go Cost	$6	$0	$6

Notes:
1. Discount rate equals 8.0% per annum.
2. Unrecognized losses in excess of the 10% corridor are amortized over 16.9 years.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-23
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: OSWAYO

	Health Insurance –and– Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($199)	($2)	($201)
Actives Fully Eligible to Retire	0	0	0
All Others	0	0	0
Total APBO	($199)	($2)	($201)
Plan Assets at Fair Value	0	0	0
Funded Status	($199)	($2)	($201)
Unrecognized Transition Obligation	112	2	113
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	71	0	71
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($16)	($0)	($16)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$0	$0	$0
Interest Cost	15	0	16
Amortization of:			
Transition Obligation	6	0	6
Prior Service Cost	0	0	0
Gains and Losses	3	(0)	3
Total Net Periodic Expense	$25	$0	$25
Projected Pay–As–You–Go Cost	$12	$0	$12

Notes:
1. Discount rate equals 8.0% per annum.
2. Unrecognized losses in excess of the 10% corridor are amortized over 16.3 years for health care benefits and 10.6 years for life insurance from 1/1/95.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-24
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(Numbers may not add due to rounding)

GROUP: SCHUYLER

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($382)	$0	($382)
Actives Fully Eligible to Retire	0	0	0
All Others	(192)	0	(192)
Total APBO	($575)	$0	($575)
Plan Assets at Fair Value	0	0	0
Funded Status	($575)	$0	($575)
Unrecognized Transition Obligation	420	0	420
Unrecognized Net Prior Service Cost	60	0	60
Unrecognized Net (Gain)/Loss	(14)	0	(14)
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($109)	$0	($109)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$11	$0	$11
Interest Cost	45	0	45
Amortization of:			
Transition Obligation	23	0	23
Prior Service Cost	4	0	4
Gains and Losses	0	0	0
Total Net Periodic Expense	$83	$0	$83
Projected Pay-As-You-Go Cost	$24	$0	$24

Notes:
1. Discount rate equals 8.0% per annum.
2. Prior service cost is amortized over 17.3 years from 1/1/94.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-25
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: SENECA GORHAM

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($407)	$0	($407)
Actives Fully Eligible to Retire	(79)	0	(79)
All Others	(58)	0	(58)
Total APBO	($544)	$0	($544)
Plan Assets at Fair Value	0	0	0
Funded Status	($544)	$0	($544)
Unrecognized Transition Obligation	372	0	372
Unrecognized Net Prior Service Cost	72	0	72
Unrecognized Net (Gain)/Loss	(34)	0	(34)
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($134)	$0	($134)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$5	$0	$5
Interest Cost	43	0	43
Amortization of:			
Transition Obligation	21	0	21
Prior Service Cost	6	0	6
Gains and Losses	(4)	0	(4)
Total Net Periodic Expense	$70	$0	$70
Projected Pay-As-You-Go Cost	$23	$0	$23

Notes:
1. Discount rate equals 8.0% per annum.
2. Numbers may not add due to rounding.
3. Projections assume no gains or losses during 1994.
4. Prior service cost amortized over 14 years from 1/1/94. Unrecognized gains up to the 10% corridor are amortized over 10 years from date of establishment.

TABLE B-26
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: **SOUTHLAND**

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($677)	($50)	($727)
Actives Fully Eligible to Retire	0	0	0
All Others	0	0	0
Total APBO	($677)	($50)	($727)
Plan Assets at Fair Value	0	0	0
Funded Status	($677)	($50)	($727)
Unrecognized Transition Obligation	489	43	532
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	52	1	54
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($135)	($6)	($141)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$0	$0	$0
Interest Cost	52	4	56
Amortization of:			
Transition Obligation	27	2	30
Prior Service Cost	0	0	0
Gains and Losses	0	0	0
Total Net Periodic Expense	$80	$6	$86
Projected Pay-As-You-Go Cost	$43	$3	$46

Notes:
1. Discount rate equals 8.0% per annum.
2. Numbers may not add due to rounding.
3. Projections assume no gains or losses during 1994.

TABLE B-27
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: SYLVAN LAKE - MANAGEMENT

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($210)	($30)	($240)
Actives Fully Eligible to Retire	0	0	0
All Others	(83)	(23)	(106)
Total APBO	($293)	($53)	($346)
Plan Assets at Fair Value	0	0	0
Funded Status	($293)	($53)	($346)
Unrecognized Transition Obligation	145	68	213
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	93	(29)	65
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($55)	($13)	($68)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$5	$1	$6
Interest Cost	23	4	27
Amortization of:			
Transition Obligation	8	4	12
Prior Service Cost	0	0	0
Gains and Losses	8	(2)	6
Total Net Periodic Expense	$43	$7	$50
Projected Pay-As-You-Go Cost	$10	$2	$12

Notes:
1. Discount rate equals 8.0% per annum.
2. Unrecognized gains and losses up to the 10% corridor are amortized over 10 years from date of establishment. Unrecognized gains and losses in excess of the 10% corridor are amortized over 13.9 years from 1/1/95.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-28
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: **SYLVAN LAKE - NON-MANAGEMENT**

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	$0	$0	$0
Actives Fully Eligible to Retire	(180)	0	(180)
All Others	(216)	0	(216)
Total APBO	($397)	$0	($397)
Plan Assets at Fair Value	0	0	0
Funded Status	($397)	$0	($397)
Unrecognized Transition Obligation	268	0	268
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	18	0	18
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($110)	$0	($110)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$14	$0	$14
Interest Cost	32	0	32
Amortization of:			
Transition Obligation	15	0	15
Prior Service Cost	0	0	0
Gains and Losses	3	0	3
Total Net Periodic Expense	$64	$0	$64
Projected Pay-As-You-Go Cost	$2	$0	$2

Notes:
1. Discount rate equals 8.0% per annum.
2. Unrecognized gains and losses up to the 10% corridor are amortized over 10 years from date of establishment.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-29
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: **THORNTOWN**

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($144)	$0	($144)
Actives Fully Eligible to Retire	0	0	0
All Others	(123)	0	(123)
Total APBO	($267)	$0	($267)
Plan Assets at Fair Value	0	0	0
Funded Status	($267)	$0	($267)
Unrecognized Transition Obligation	248	0	248
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	(53)	0	(53)
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($71)	$0	($71)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$9	$0	$9
Interest Cost	21	0	21
Amortization of:			
Transition Obligation	13	0	13
Prior Service Cost	0	0	0
Gains and Losses	(1)	0	(1)
Total Net Periodic Expense	$42	$0	$42
Projected Pay-As-You-Go Cost	$12	$0	$12

Notes:
1. Discount rate equals 8.0% per annum.
2. Unrecognized gains in excess of the 10% corridor are amortized over 22.2 years.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-30
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: **URBAN**

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($166)	$0	($166)
Actives Fully Eligible to Retire	(5)	0	(5)
All Others	(22)	0	(22)
Total APBO	($193)	$0	($193)
Plan Assets at Fair Value	0	0	0
Funded Status	($193)	$0	($193)
Unrecognized Transition Obligation	25	0	25
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	0	0	0
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($167)	$0	($167)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$1	$0	$1
Interest Cost	14	0	14
Amortization of:			
Transition Obligation	1	0	1
Prior Service Cost	0	0	0
Gains and Losses	0	0	0
Total Net Periodic Expense	$17	$0	$17
Projected Pay-As-You-Go Cost	$25	$0	$25

Notes:
1. Discount rate equals 8.0% per annum.
2. Numbers may not add due to rounding.
3. Projections assume no gains or losses during 1994.

TABLE B-31
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: VIROQUA

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($500)	$0	($500)
Actives Fully Eligible to Retire	0	0	0
All Others	(68)	0	(68)
Total APBO	($567)	$0	($567)
Plan Assets at Fair Value	0	0	0
Funded Status	($567)	$0	($567)
Unrecognized Transition Obligation	448	0	448
Unrecognized Net Prior Service Cost	25	0	25
Unrecognized Net (Gain)/Loss	(55)	0	(55)
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($150)	$0	($150)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$0	$0	$0
Interest Cost	44	0	44
Amortization of:			
Transition Obligation	25	0	25
Prior Service Cost	2	0	2
Gains and Losses	0	0	0
Total Net Periodic Expense	$71	$0	$71
Projected Pay-As-You-Go Cost	$38	$0	$38

Notes:
1. Discount rate equals 8.0% per annum.
2. Prior service cost is amortized over 15.9 years from 1/1/94.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-32
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: **VISTA - IOWA**

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($3,309)	($665)	($3,974)
Actives Fully Eligible to Retire	(1,517)	(119)	(1,636)
All Others	(1,853)	(91)	(1,943)
Total APBO	($6,680)	($874)	($7,554)
Plan Assets at Fair Value	0	0	0
Funded Status	($6,680)	($874)	($7,554)
Unrecognized Transition Obligation	4,644	612	5,256
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	348	37	386
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($1,688)	($225)	($1,912)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$11	$1	$12
Interest Cost	525	68	593
Amortization of:			
Transition Obligation	258	34	292
Prior Service Cost	26	2	29
Gains and Losses	0	0	0
Total Net Periodic Expense	$820	$105	$925
Projected Pay-As-You-Go Cost	$249	$43	$292

Notes:
1. Discount rate equals 8.0% per annum.
2. Prior service cost is amortized over 12.0 years from 7/1/93. Unrecognized losses in excess of the 10% corridor are amortized over 16.5 years.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

TABLE B-33
ROCHESTER TELEPHONE CORPORATION
POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS
BASED ON THE JANUARY 1, 1994 VALUATION
(All Amounts in Thousands)

GROUP: VISTA – MINNESOTA

	Health Insurance	Life Insurance	Grand Total
Reconciliation of Funded Status @ 12/31/94			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	($4,663)	($961)	($5,624)
Actives Fully Eligible to Retire	(1,140)	(100)	(1,240)
All Others	(4,995)	(264)	(5,258)
Total APBO	($10,797)	($1,325)	($12,122)
Plan Assets at Fair Value	0	0	0
Funded Status	($10,797)	($1,325)	($12,122)
Unrecognized Transition Obligation	6,175	831	7,006
Unrecognized Net Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	1,824	142	1,966
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	($2,798)	($353)	($3,150)
Periodic Postretirement Benefit cost for 1995			
Service Cost	$105	$6	$111
Interest Cost	850	103	953
Amortization of:			
Transition Obligation	343	46	389
Prior Service Cost	79	6	85
Gains and Losses	45	1	46
Total Net Periodic Expense	$1,422	$162	$1,584
Projected Pay-As-You-Go Cost	$352	$64	$416

Notes:
1. Discount rate equals 8.0% per annum.
2. Prior service cost is amortized over 12.0 years from 7/1/93. Unrecognized losses in excess of the 10% corridor are amortized over 16.5 years.
3. Numbers may not add due to rounding.
4. Projections assume no gains or losses during 1994.

Appendix C

SFAS-112 Valuations as of January 1, 1994

BUCK CONSULTANTS
500 Plaza Drive
Secaucus, New Jersey 07096-1533

March 24, 1994

Mr. Kenneth P. Schirmuhly
Corporate Communications Director
Rochester Tel Center
180 South Clinton Avenue
Rochester, New York 14646

Re: FAS 112 for Inactive Disabled Employees

Dear Mr. Schirmuhly:

As requested, we have prepared calculations to measure Rochester Telephone Company's obligation as of January 1, 1994 and to estimate 1994 annual expense for postemployment/preretirement income, medical, reimbursement account and life insurance benefits provided to Special Disability Pensioners and LTD Recipients. The results of our calculations are presented on the enclosed table.

Please note that we have prepared the calculations on two alternative bases with respect to mortality. The 1984 George B. Buck Mortality Table is the same table used to measure postretirement pension and nonpension benefits for FAS 87 and FAS 106 purposes. It reflects the experience of healthy lives. For FAS 112 purposes, we believe that it is appropriate to take into account the status of disabled lives and, therefore, have presented results based on the 1988 United Nations Disability Mortality Table. The net impact is a reduction in overall obligations and expense although the costs for life insurance increase.

Accounting Treatment

We understand that the cost of these benefits are funded on a pay-as-you-go basis out of Company assets and believe that they are not reflected in either of our FAS 106 or FAS 87 calculations.

Upon the adoption of FAS 112, effective January 1, 1994, the unfunded obligation for disabilities which commenced prior to that date must be recognized immediately, to the extent it is not already recognized. The total expense for 1994 should include the transition obligation as of January 1, 1994 plus the obligation for benefits associated with 1994 disabilities (the term cost) and interest on the January 1, 1994 reserve adjusted for payments during the year (the interest cost). The cash cost of benefit payments from January 1, 1994 should reduce the established reserves.

Please note that we have estimated the 1994 term cost based on 1992 and 1993 claims and that calculations could be prepared shortly after December 31, 1994 to reflect actual experience.

Mr. Kenneth P. Schirmuhly
March 24, 1994
Page 2

Basis for Calculations

Our calculations were based on a 7.25% discount rate and on the census data Mr. John Cogan provided by fax on March 15 as follows:

	Special Disability Pensioners	LTD Recipients
Number	25	4
Monthly income	$ 16,785	$ 7,171
Life insurance coverage	$639,500	$257,800

The following monthly costs for medical and reimbursement account benefits reflect the Company's share of 1994 costs based on information provided by Ms. Kathy Madsen for 1993 year-end disclosures under FAS 106 and by Mr. John Cogan for the prepension leave calculations:

	Management	Non-Management
Medical:*		
Single	$118.53	$158.45
Family	$287.29	$356.88
Reimbursement Account	$41.67	$41.67

*Medical benefits were projected to increase with the FAS 106 trend rates. The Reimbursement account was assumed to remain constant.

Our calculations assume an even distribution of men and women as well as management and non-management pensioners and LTD recipients. As you instructed, all benefits are valued for the life of the participant to age 65 or for five years if the participant became disabled on or after age 60. We have not made any assumption regarding the possible termination of benefits due to recovery. Recovery is more likely during the early period of a disability and reflecting an assumption of recovery could lower the results of our calculations.

Please feel free to call with any questions or if we can be additional assistance with respect to these or other FAS 112 calculations.

Sincerely,

Marsha Venturi

Marsha Venturi
Consulting Actuary

MV:lh
\DOC:G14759SF.WP5

cc J. Ponzini
B. Stitzel

ROCHESTER TELEPHONE COMPANY

FAS 112 VALUATION
PREPARED AS OF JANUARY 1, 1994

1984 George B. Buck Mortality Table

Transition Obligation @ 1/1/94	Special Disabled Pensioners	LTD Recipients	Total
Income	$1,091,829	$696,963	$1,788,792
Medical	476,145	149,197	625,342
Reimbursement Account	70,143	15,401	85,544
Life Insurance	24,298	8,416	32,714
Total	$1,662,415	$869,977	$2,532,392
Estimated Expense for 1994			
Term Cost	$181,947	$155,896	$337,842
Interest Cost	110,905	59,530	170,436
Total	$292,852	$215,426	$508,278
Estimated PAYG Cost	$270,096	$99,481	$369,577

1988 U.N. Disability Mortality Table

Transition Obligation @ 1/1/94	Special Disabled Pensioners	LTD Recipients	Total
Income	$961,805	$576,890	$1,538,695
Medical	410,339	122,692	533,031
Reimbursement Account	61,252	12,701	73,953
Life Insurance	121,180	59,190	180,370
Total	$1,554,576	$771,473	$2,326,049
Estimated Expense for 1994			
Term Cost	$165,951	$142,455	$308,405
Interest Cost	102,404	52,113	154,517
Total	$268,354	$194,568	$462,922
Estimated PAYG Cost	$289,281	$107,215	$396,496

Notes: 1. Discount rate equals 7.25% per annum.
2. Medical trend equals 12.0% for 1994 reducing to 5.25% by 2006.
3. Based on census data for 25 special disabled pensioners and 4 LTDs.
4. Estimated 1994 term cost equals the average present value of benefits for 1992 and 1993 disabilities.

03/23/94

BUCK CONSULTANTS

BUCK CONSULTANTS
Two Pennsylvania Plaza
New York, New York 10121-0047

March 15, 1994

PERSONAL & CONFIDENTIAL

Mr. Kenneth P. Schirmuhly
Director-Human Resources
Secretary Policy and Assistant
Rochester Telephone Corporation
Rochester Tel Center
180 South Clinton Avenue
Rochester, New York 14646-0110

Dear Ken:

As you requested, we are writing to provide you with the results of our January 1, 1994 FASB 112 valuation of the Pre-Pension Leave Plan. The valuation was based on the data as provided to us for CWA participants which included 689 employees with total base salaries equalling $27,000,115. Our calculations do not include any participants on pre-pension leave as of January 1, 1994.

In preparing our calculations we have used a 7.25% discount rate. In addition we have calculated the initial obligation based on both a FASB 87 projected benefit obligation and accumulated benefit obligation basis. As I had mentioned in my letter of March 10, the projected benefit obligation includes the effect of future salary increases, while the accumulated benefit obligation does not include the effect of any future salary increases. Under the projected benefit obligation approach we used a salary scale approximating average annual increases of 5% (this is the same assumption used in our FASB 87 calculations) and alternatively an average salary increase assumption of 4%. We believe there may be good reason for using the lower salary increase assumption as these calculations only pertain to the CWA group.

We have also calculated the obligation based on alternative attribution methods. Under the alternative (i) method it is assumed the obligation is accrued prorata over the various service durations. For example, an employee with 10 years of service is assumed to have an accrued obligation of 10/20 of 2 months, or 1 month, of pre-pension leave. The alternative (ii) accrual method assumes no accrual of any obligation until the employee has enough service to meet the required service criteria. For example, an employee with 10 years of service would have no accrued obligation.

In preparing our previous calculations we used the projected benefit obligation approach along with the alternative (i) attribution method.

Mr. Kenneth Schirmuhly
March 15, 1994
Page 2

The attached Exhibit I shows the initial obligation and 1994 net periodic cost determined under the alternative scenarios described above. Exhibit II summarizes the benefits and current Company costs for the medical benefits used as a basis in our calculations.

Once you have had a chance to review these calculations, please call with any questions you may have.

Very truly yours,

John

John J. Ponzini
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cc Mr. Randolph Brockman
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EXHIBIT I
ROCHESTER TELEPHONE CORPORATION
FAS112–Pre-paid Pension Leave Plan
January 1, 1994
($ thousands)

CWA	Attribution Method (I) 5% sal scale	4% sal scale	ABO method*	Attribution Method (II) 5% sal scale	4% sal scale	ABO method*
SALARY CONTINUATION						
Initial Obligation	5,039	4,688	3,621	4,505	4,216	3,316
Net Periodic Cost:						
Service Cost	222	199	295	227	205	301
Interest Cost	350	324	247	311	290	225
Total	572	523	542	538	495	526
Expected benefit payments	433	431	431	433	431	431
MEDICAL AND MAJOR MEDICAL						
Initial Obligation	653	653	653	577	577	577
Net Periodic Cost:						
Service Cost	31	31	31	30	30	30
Interest Cost	46	46	46	40	40	40
Total	77	77	77	70	70	70
Expected benefit payments	45	45	45	45	45	45
MEDICAL REIMBURSEMENT						
Obligation	44	44	44	40	40	40
Net Periodic Cost:						
Service Cost	2	2	2	2	2	2
Interest Cost	3	3	3	3	3	3
Total	5	5	5	5	5	5
Expected benefit payments	5	5	5	5	5	5
LIFE INSURANCE						
Initial Obligation	46	43	34	42	39	31
Net Periodic Cost:						
Service Cost	2	2	3	2	2	3
Interest Cost	3	3	2	3	3	2
Total	5	5	5	5	5	5
Expected benefit payments	4	4	4	4	4	4
TOTAL						
Initial Obligation	5,782	5,428	4,352	5,164	4,872	3,964
Net Periodic Cost:						
Service Cost	257	234	331	261	239	336
Interest Cost	402	376	298	357	336	270
Total	659	610	629	618	575	606
Expected benefit payments	487	485	485	487	485	485

*ABO method uses a 4% salary assumption for determining service cost and expected benefit payments.

EXHIBIT II

ROCHESTER TELEPHONE CORPORATION
FAS 112 - SUMMARY OF PRE-PENSION LEAVE PLAN BENEFITS FOR CWA EMPLOYEES
JANUARY 1, 1994

SCHEDULE OF PRE-PENSION LEAVE

Years of Service	Months of Pre-Pension Leave
Less than 20	0
At least 20 but less than 25	2
At least 25 but less than 30	3
At least 30 but less than 35	4
At least 35 but less than 40	5
40 or more	6

SALARY CONTINUATION

Salary (excluding bonuses) at date of termination is continued for period of pre-pension leave.

MEDICAL BENEFITS

The following provides the schedule of monthly employer costs as used in the valuation to provide the applicable benefits to employees during pre-pension leave:

Medical coverage		
Single	$	143.55
Family		317.80
Major Medical		
Single	$	14.90
Family		39.08
Medical Reimbursement	$	41.67

85% of the males and 60% of the females were assumed to elect family coverage. Medical and Major Medical costs were assumed to increase by the medical trend assumed in the FASB 106 valuation. The Medical Reimbursement costs were assumed to remain unchanged.

LIFE INSURANCE

Life insurance during the pre-pension leave period is provided in the amount of one times pay (excluding bonuses).

Appendix D

Naitonal Economic Research Associates, Inc.
"The Treatment of FAS 106 Accounting
Changes Under FCC Price Cap Regulation"

THE TREATMENT OF FAS 106 ACCOUNTING CHANGES UNDER FCC PRICE CAP REGULATION

Prepared for

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THE TREATMENT OF FAS 106 ACCOUNTING CHANGES UNDER FCC PRICE CAP REGULATION

I. INTRODUCTION AND SUMMARY

Under the theory of price cap regulation, changes in costs that are beyond the control of the firm (so-called "exogenous cost changes") are accorded special treatment. In general, changes in a regulated firm's costs should lead to changes in its prices because economic efficiency is enhanced when prices are kept close to (incremental) costs. However, the direct pass-through of all cost changes as price changes--as is done under traditional rate of return regulation--removes incentives the firm might have to control cost changes in the first place. Thus, price cap regulation permits only exogenous cost changes to affect the price cap. Incentives are preserved, and price changes follow cost changes to the greatest extent possible.

Pacific Bell is required to adopt a particular set of accounting changes--FAS 106 (Employers' Accounting For Postretirement Benefits Other Than Pensions)--no later than 1993. These changes were recently enacted by the Financial Accounting Standards Board (FASB) and have been adopted by the FCC.[1] Pacific is seeking recovery of the associated cost increase through a one-time Z-adjustment to its price cap to reflect (i) the amortization over 15 years of the historical liability for these benefits, and (ii) the shift from cash to accrual accounting for these benefits on a going-forward basis. Future changes in postretirement expenses would have no future effect on

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[1]Federal Communications Commission, "Notification of Intent to Adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions," AAD 91-80, December 1991.

Pacific's price cap, except that there would be an offsetting Z-adjustment after 15 years when the historical liability is entirely amortized.

We have been asked to determine whether--and to what extent--FAS 106 accounting qualifies for treatment as an exogenous cost change under the price cap plan promulgated for the interstate services of Tier 1 local exchange telephone companies (LECs). To answer this question, we must examine three economic issues. First, adoption of FAS 106 leads to a change in accounting costs. In what sense does this change represent a change in costs that should be reflected in a regulated firm's price cap? Second, is this change in costs beyond the control of a regulated firm so that its efficiency incentives would not be diminished if the cost change were passed through in prices? Finally, what portion of this change in costs will be automatically recovered through an increase in the rate of inflation and what portion remains to be recovered through an exogenous cost change to the firm's price cap?

Our conclusions support exogenous cost treatment for FAS 106 cost changes. First, we find that adoption of accrual accounting for postretirement benefits represents an accounting recognition of proper economic costs. Prices under price caps were initially set using cash accounting for postretirement benefits. Thus a change in the price cap is necessary so that prices will reflect the economic cost of service. Second, adoption of FAS 106 accounting by the FASB and by the FCC is certainly beyond the control of the regulated firm. Moreover, a one-time adjustment to its prices to reflect the economic costs of postretirement benefits does not reduce the firm's incentive to control expenditures on those benefits. Third, because prices in unregulated markets already reflect the economic costs of postretirement benefits, adoption of FAS 106 will